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INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1984

Product	August 1984	Jan.-Aug.'84	%Jan-Aug. 1983 over Jan.-Aug. 1984
Electricity (Bil.kw.hrs)	113	974	105
Petroleum (inc. gas condensate) (mil. tons)	51.9	411	99.7
Natural gas (bil.cu.mtrs)	48.1	383	109
Coal (mil.tons)	58.1	478	99.6
Steel (mil.tons)	12.9	104	102
Fertilizer (mil.tons)	2.6	20.6	104
Metal-cutting tools (mil. rubles)	198	1582	109
Robots (units)	1.0	9.0	136
Computer Technology (bil. rubles)	0.3	2.4	113
Tractors (1000s)	4.3	33.6	103
Paper (mil. tons)	0.5	3.9	104
Cement (mil. tons)	11.0	86.8	102
Meat (mil. tons)	0.8	6.1	109
Margarine (1000 tons)	87.0	889	95
Matches (mils.)	5.8	44.8	97
Radios (mils.)	0.8	6.2	102
Television sets (mils.)	0.8	6.0	105
Automobiles (1000s)	113	885	101

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1984

The Soviets continue to show production increases in most of their major industries at the rate reported early this year. The rate of growth is approximately the same as last year, although not quite as robust. In any case, it certainly is higher than it was during the Brezhnev period.

The Soviets continue, however, to have problems in petroleum. Production during August 1984 was .7 million tons lower than it was in August 1983. For the 8 months as a whole that is a drop of about 1½%. Looking at January - August 1984 production as indicated is just off a fraction, however, and is down by only one million tons.

Similarly, the Soviets are also having their continuing problems with coal production. Production was down almost one million tons in August 1984, compared with August 1983.

Given the Soviet Union's agricultural problems, they should start to show some drop in the growth of their livestock herd. Presumably the need to import so much grain during the summer months reflects the fact that they are short of grain to feed their cattle. There are now some indications that they are feeling some pressure. So far the sheep and goat herds have shown the biggest drop. They are down almost one million head, but that is not a large percentage given the fact that as of September 1st, the Soviets

reported 132 million head. Similarly, they report fewer cows than they did a year ago, although the drop again is even smaller. It now looks, however, as if they are experiencing some difficulty with their pigs. Whereas last year the pig herd increased 2.7 million head, this year it increased by less than one million in the month of September. The one area where they do show strength is in the increase of their total cattle herd. That actually increased in August 1984 more than it increased in August 1983.

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THE RUSSIAN RESEARCH CENTER takes no official stand on on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article, or unless otherwise stated, with those of the editor, Marshall I. Goldman.

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CURRENCY FIGURES

Rubles Purchased Per 100	Sept. 1983	Aug. 1984	Sept. 1984
Austrian shilling	4.06	4.09	3.98
U.K. pound	114.87	108.72	107.46
W. German mark	28.53	28.71	27.95
U.S. dollar	76.65	83.15	84.55
French franc	9.48	9.36	9.11
Japanese yen	.314	.338	.344
Italian lira	.0478	.0467	.0454
Swiss franc	35.08	33.75	33.73

The currency exchange rates released by Gosplan for September 1984 reveal that with the exception of the U.S. dollar and the Japanese yen, all other currencies have decreased over the past month and over the past year.

LAST CALL FOR SOVIET ENERGY CONFERENCE

Enclosed is the updated version of the October 22nd conference on Prospects for Soviet Energy. Those who are interested should call in addition to filling out an application form, as the conference is beginning to fill up. Please note that there has been an addition to the panel on Resource Potential: Donald Voss of the CIA will give his views on Soviet energy.

EASTERN EUROPE

Soviet fist evident in Honecker affair

By Marshall I. Goldman 9-9-84
Special to The Globe

It was too good to be true. The anticipated visit to West Germany by Erich Honecker, the president and Communist Party head of the German Democratic Republic (GDR), was to mark one of the most significant events in Europe since World War II.

To many Germans in both East and West, this would constitute not only the first official state visit of the head of East Germany to West Germany, but also the first step toward the reunification of Germany. There were few Germans in either East or West who were not swept up in the prospect of closer relations between the severed countries.

To others in Eastern Europe, the boldness of the East German move promised to open up the way to a more relaxed and more closely integrated Europe. There would be less cold war and more openness, even neutrality.

To the United States, the nervousness about a more neutral West Germany was

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more than offset by the image of a more independent Eastern Europe.

To the Soviet Union, however, the vision of Honecker visiting Helmut Kohl, the chancellor of West Germany, in Bonn was a dreaded nightmare. Such a visit could and probably would signal the collapse of the key component in Soviet postwar policy, the division of Germany. After World War II, the Soviets were determined to do all they could to ensure that they would never again be subject to a German invasion. In their minds, the best way to prevent such an invasion was to weaken Germany by dividing it permanently into two halves and making the eastern half subservient to Soviet policy.

Soviets call the shot

Because the Soviets had suffered from two German invasions in this century, they were even more concerned about the Germans than they were about any international jostling for power with the United States. The ultimate attack on President Ronald Reagan was to call him "the Hitlerite Reagan."

As the date for the trip approached, the Soviets saw the visit as the first step

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Germany

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toward a reunited and ultimately a militarily dangerous Germany. The decision to call off the visit was most certainly imposed on Honecker by the Soviets. They had been hinting since early summer that Honecker should cancel the trip, but to their growing irritation, relations between East and West Germany seemed to become warmer.

Among other developments, the West Germans provided the financially strapped East Germans with another big loan, this one for $330 million. Shortly thereafter, travel, trade and immigration arrangements between the two Germanies improved, as did the general mood.

This warming of relations between the two Germanies was particularly embarrassing for the Soviets, who had warned West Germany that if it permitted the installation of US Pershing II missiles on its soil, the Soviets would intensify the Cold War.

But because Moscow was distracted by its own domestic political difficulties, much of this took place – until recently – without significant response from the Soviet leadership. With three leadership changes in less than two years and rumors that Konstantin Chernenko's infirmities would necessitate yet a fourth change in the leadership, there was plenty to occupy Soviet Politburo members. For those with a long perspective, changes of leadership in the Soviet Union also herald symbiotic political reactions in Eastern Europe. That was true in Berlin and Poland after Stalin's death and in Czechoslovakia after Khrushchev's ouster.

Nor was the testing of Soviet restraints limited to East Germany. In fact, almost everyone in the East European bloc except Czechoslovakia seemed to become emboldened. The Soviets had long been accustomed to criticism and maverick behavior from Romania's Nicolae Ceausescu, who had been pursuing an independent mind for some time, and it mattered not when he issued a call for a nuclear-free Central Europe (free not only of American, but also of Soviet missiles), violated the Soviet boycott of the Olympics in Los Angeles and announced his own visit to West Germany. Under Stalin, no such nonsense would have been tolerated, but so long as Romania was the only discordant note, it could be allowed.

But, as the Soviets see it, the rot seems to be spreading.

Signs of new independence

Almost all of Romania's neighbors (again, except Czechoslovakia) had begun to try a little something unusual. Let Hungary experiment with its economic reforms. However, now Bulgaria – Bulgaria, the most subservient of all the Soviet Union's subordinates – is also experimenting with its economy and seeking to enhance its trade ties with the West.

If that were not enough, Todor Zhivkov, head of the Bulgarian Communist Party, also decided to visit West Germany. That would mean three such visits by East European leaders in September and October.

On top of everything else, the Soviet Union finds itself with a growing peace movement within its own ranks. Several of the East Europeans took to heart the

Soviet warnings about the installation of missiles in Western Europe. But if the installation of US missiles in Western Europe posed a danger to the West Europeans, by the same reasoning the installation of Soviet missiles in Eastern Europe posed a danger to the East Europeans. So peace groups, albeit limited in size and influence, have sprung up in East Germany, Hungary and even Czechoslovakia.

Then there is Poland. Gen. Wojciech Jaruzelski was not contemplating a visit to Bonn, but the Polish animosity for everything associated with the Soviet Union was so great that Jaruzelski's generally compliant behavior was hardly much consolation. No wonder the Soviets have suddenly become concerned.

What a change from the good old days of Stalin and even Khrushchev. Then, any deviation was quickly penalized. With Antonin Novotny in Czechoslovakia, Walter Ulbricht in East Germany and Wladyslaw Gomulka in Poland, the Soviets knew they could count on a solid hard core. Today only Czechoslovakia's Gustav Husak can be counted upon to echo Soviet complaints about East European countries that "allow national interests" rather than "socialist internationalism" to determine their policies. As recently as 1980, the Soviets could also count on the East German press to run articles critical of such deviation.

In Soviet eyes, nationalism is one of the most serious crimes within the Communist bloc. To see it grow this way is obviously unsettling. Even more threatening is the possibility that deviations of this sort can spread over into the Soviet Union itself. Just last month, the interior minister of the Soviet Union, Col. Gen. Vitaly Fedorchuk, the former head of the KGB, denounced the growing nationalist sentiment in the Soviet Republic of Estonia.

And in all likelihood we have not seen the last of the Soviet fist. Given the cancellation of Honecker's visit, the Soviets will probably also force Zhivkov to cancel his visit. Yet as long as Soviet leadership itself is unsettled, and as long as the East Europeans feel they have more to gain by seeking out Western contact than by ignoring it, the East Europeans will continue to push westward.